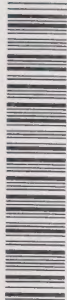


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1454 DE LA MONTAGNE, SUITE 400, MONTREAL 107, QUS.
(514) 849-9351, TELEX 012-0052

CANADIAN ASSOCIATION
OF BROADCASTERS



L'ASSOCIATION CANADIENNE
DES RADIODIFFUSEURS

Gouvernement
Publications

OFFICE: 85 SPARKS ST., SUITE 909 (BOX 627, STN. B) OTTAWA 4, CANADA — TELEPHONE (613) 233-4035, TELEX 013-433

GENERAL NEWSLETTER

/MS-75
Assoc. Can. Reps.

Ottawa, April 23, 1970.

RE : BRIEF & OPENING STATEMENT PRESENTED BY YOUR ASSOCIATION
TO HOUSE OF COMMONS COMMITTEE ON BROADCASTING, FILMS
AND ASSISTANCE TO THE ARTS - APRIL 22, 1970.

Above brief and opening statement are attached for your information
d for whatever use you care to make use of them.

The Canadian Association
of Broadcasters
l'Association canadienne
des radiodiffuseurs.


Brief
Canada Parliament



BRIEF TO BE PRESENTED TO THE HOUSE OF COMMONS COMMITTEE ON
BROADCASTING, FILMS AND ASSISTANCE TO THE ARTS
ON BEHALF OF THE CANADIAN ASSOCIATION OF BROADCASTERS
L'ASSOCIATION CANADIENNE DES RADIODIFFUSEURS

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1. While we are always appreciative of an opportunity to speak with this Committee, we are especially so right now. It seems to us that the coming together of a number of significant factors makes this the appropriate, if not the essential time, to seek out new guidelines for broadcasting.
2. Broadcasting is not just an industry like any other. It is a chosen instrument of public policy to "safeguard, enrich and strengthen the cultural, political, social and economic fabric of Canada." It has in fact, created a continuous east-west flow of news, information and ideas. Broadcasting performs that essential task almost alone; the private sector of it from its own resources. Broadcasting's economic health must be a matter of public concern to the degree and extent it is necessary to enable broadcasting to perform public policy objectives.
3. Since the private sector depends entirely upon its own ability to attract both audience and revenue, it is in a unique position.
4. When Canadians saw the initial physical east-west link, the railway, as essential to survival, they chose the restless energy of private enterprise to accomplish the task. But, because public policy objectives were involved, there were also heavy subsidies from public funds.
5. When later, a continuous east-west flow of news was thought essential, the task was accomplished by privately-owned daily newspapers and their co-operative news-gathering agency, Canadian Press. But, subsidies were paid to permit operation of the expensive and uneconomic line link across Northern Ontario.
6. We think it would be useful to take just a moment to determine the origins of broadcasting's present status in Canada.
7. Private broadcasting began in Canada in 1919; in the United States a year later. In that populous, wealthy country; settled in depth as well as breadth, broadcasting developed very quickly indeed. The money was available to finance high-powered transmitters and very attractive programming. So rapidly did it develop indeed that a high degree of interference set in; due to the unsophisticated nature of equipment and techniques then used.
8. A legal decision in the United States decided that the Federal Government did not have authority to licence specific frequencies in specific places. Before that country's government could recover, and hastily set up new legislation and administrative procedures, many new high-powered broadcasting stations sprang up in the United States. These tended to ignore international complications. As a result, radio signals from the United States poured clearly into an astonishingly large number of Canadian communities, including many quite remote from the border.



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9. Canadian broadcasting had itself developed with surprising rapidity. By 1929 there were broadcasting stations in every province of Canada; in small communities as well as large. There were several ad hoc regional and national networks; and the formation of at least one permanent east-west network was beginning. Significant as this industry was, it had to lean on its own resources. Much of these originally came from railways, newspapers and equipment manufacturers since the financial community of Canada was much more cautious than its counterpart south of the border.
10. The Canadian service performed well. But it simply could not shut out the flow from the United States.
11. What was really required then was powerful, urgent representations to Washington to seek enforceable international agreements on frequency allocation. Had this very effective device been employed then, instead of much later, the history of Canadian broadcasting would have been vastly different; possibly even the history of Canada.
12. A Royal Commission was appointed in Canada. This established the beginnings of a recurrent pattern - that of a number of "investigations" into broadcasting.
13. The Aird Commission established another pattern; it was made up of "enthusiastic amateurs" - a banker, an engineer and a newspapers editor.
14. This Commission recommended the European plan of nationalization. The recommendation was never fully implemented.
15. Instead there grew up a mixed system of great complexity. In attempting to understand what we have; many have compounded the confusion by using over simplified terms which are sometimes unreal.
16. Even the Broadcasting Act itself refers to a Canadian broadcasting "system". It implies that within this there are two "services"; one is referred to as "national"; the other as "the private element". In fact we have many systems and many services.
17. The Canadian Broadcasting Corporation operates stations of its own. It operates an English language radio network, distributing that service to some stations it owns and many more that are privately owned. It has a French language radio network much the same in its composition. It has an English language television network. That service is distributed through a handful of its own master stations and many more privately owned stations. It has a French language television network of mixed composition.
18. The CTV Network distributes its services to privately owned stations exclusively and these in turn own that network.
19. There are English language and French language privately owned television stations, not affiliated to any network. There are radio stations operating in both languages not affiliated to any network.

20. Some are in large cities, some in medium, many in small. Some are under joint ownership of various kinds, most are not. Nearly every one of these stations is a system or service unto itself, geared to the objectives and needs of a particular community or region. A radio station in Nelson or Drumheller or Estevan is vastly different from one in Toronto or Montreal.

21. We sometimes think the easy but incorrect assumption that our broadcasting structure is much simpler than it really is has led not only to confusion but to the existence of general regulations applicable to all stations.

22. Perhaps ironically, one of the Aird Commissioners clearly outlined the real and basic difficulty that has always confronted Canadian broadcasting. Many of those who in public clamour loudest for more "Canadianism" hurry home to hear or view imported material. Before the 1932 House of Commons Committee on Broadcasting, one of the Aird Commissioners, referring to the high powered new transmitters they had recommended to create an even stronger broadcasting system, said this:

"We constantly had in mind that we do not want to interfere with the reception of Amos and Andy or of Jack Dempsey, etc. I think that this is the rule: That no station can be located in a position where it is going to interfere with reception from outside sources - they would be most carefully placed so that they would not interfere with the United States or any other kind of outside reception."

23. A nation which looked to broadcasting and to broadcasting almost alone as its basic weapon against a north-south flow of ideas, significantly overlooked highly practical physical means of assisting the east-west flow. It might have been wiser to utilize FM radio broadcasting alone in Canada and heavily penalize the sale of AM receivers. It might have been wise to adopt a UHF system in television; or a line system different from that of the United States.

24. In any event, domestic broadcasting set out to try and keep Canadian viewers and listeners attracted to Canadian signals. It succeeded in doing that.

25. It succeeded in spite of direct competition from the signals originated by a neighbouring country vastly superior to us in every resource; signals available to at least 60 percent of Canadian homes. It succeeded in spite of a rapidly changing AM technology; the introduction of FM; of television; of colour; and of an ever changing, expensive technology in television itself.

26. From the beginning, private broadcasters recognized that we must act as "farm teams". Small stations sought out and gave opportunity to creators and performers. Inevitably these progressed to medium size centres, the big ones and then the best of them went on to the glittering international market which can offer recognition and financial return possible in only one country of the world. The fact that our task was that of search and development makes it no less useful or important.

27. Much broadcasting service is so readily and constantly available that it is taken for granted. We have developed our own national news services, we provide news and related information day in and day out to nearly all Canadians. Broadcast reporters tell Canadians day in and day out what is happening here in Parliament, in the Provincial Legislatures, in Municipal Councils and School Boards.

28. Most of our stations provide commentaries, documentaries, interviews that inform, that stimulate discussion, that provide every shade of opinion. We have established a high degree of two way "linkage" with audiences. We have provided a forum in which the health, welfare and benevolent societies could carry their messages and seek their funds. We have brought all the churches to all Canadians. It is broadcasting stations that tell people what goes on in their town, does much to keep amateur sport alive, that tells mothers how to dress their kids for school in the morning, or if there is going to be school.

29. Much of this is undramatic. It is alike useful and important and it is completely Canadian. The real reason that this day in day out, hour in hour out story has never been fully told is that it is simply too big. Every station in the country has a story that would take three days to tell.

30. For nearly fifty years we've been told that this country couldn't hang together if broadcasting didn't do all the right things. Since the country has thus far hung together, we must have done something right.

31. But now dramatic new elements are upon the scene. It is the industry's consensus that the combination of these will require new approaches; a much clearer understanding of what broadcasting is and what it can and cannot do, and clear-cut policies.

32. Even in Great Britain, there are winds of change. A Broadcast News story of March 17, 1970 says this:

"Britain's commercial television companies received a mammoth tax cut today to help keep them out of the red. Minister of Posts John Stonehouse told Parliament the tax cuts starting April 15 will amount to \$15,600,000 for a year. The fifteen companies engaged in commercial television now collect about \$247,000,000 a year of which more than one third goes for taxes. The amount of tax combined with a decline in advertising revenue and increased costs because of colour television have seriously harmed several of the smaller companies. The head of the Independent Television Authority, Lord Aylestone, had predicted that unless taxes were reduced, commercial television would be in the red by 1972."

33. Though tempted, we do not propose a reduction in the ordinary corporation tax for broadcasting stations here. On the other hand, we do not want the British figures to be misleading.

34. Private broadcasting stations pay all the taxes normally required of any business. In addition they pay a percentage of

gross revenue tax called a "transmitter licence fee".

35. DBS figures for the period ending August 31, 1968 indicate that 44 percent of the privately owned television stations have -- average net operating revenues of \$5,632 (down from previous year). In that period, the total net operating revenue of the private sector was about \$17,000,000 before taxes. Of the 319 radio broadcasting stations reported by DBS for that period, 160, or slightly more than half, had an average net operating revenue of \$274. In fact, 47, or nearly a third, are reported as being in a loss position which averaged just over \$10,000 per station.

36. First of the entirely new developments is "cable".

37. Public policy has permitted the virtually unhindered growth of such systems nearly all of which import U.S. signals. It is estimated that at least 926,000 Canadian households are connected to cable systems or 17 percent of the national total. It is estimated that the annual growth rate of cable systems is 45 percent in terms of numbers of subscribers, 38 percent in the size of cable systems. In some areas up to 75 percent of households are on cable systems.

38. These tend to cluster in the most populous areas; those of greatest interest to advertisers.

39. The CRTC has already indicated it will encourage cable systems to originate their own programming leading to further competition, further fragmentation of audience.

40. To pay for program origination, the cable systems will probably get permission to carry commercials. Existing individual cable systems would likely be able to attract local advertising. Because they are also supported by subscriber revenue, rates charged for this would be below those required for survival by community radio stations, let alone television stations.

41. To attract national advertising with its higher production costs the cable systems will form effective regional networks. It is easier and more practical to form these in Central Canada rather than in the Atlantic areas and the West where the concentrations of population are much further apart.

42. The resources of advertisers are not inexhaustible either. Already Canadian companies are at a certain disadvantage. An American company or its Canadian owned subsidiary can buy advertising on a U.S. station, have the signal imported into Canada by cable and thus gets its Canadian message "for free".

43. With development of regional cable networks in Central Canada, there will be a further concentration of advertising expenditures here, a trend already obvious. This will work to the further detriment of the Atlantic and Western areas. We will then have arrived at effective economic separatism insofar as east-west communication is concerned. The east-west flow can be maintained only by the existing networks and their affiliates. In order to continue provision of this desirable public policy objective, all these elements must have sufficient revenue to continue operating;

to continue the production of material that will attract substantial Canadian audiences.

44. Other technological devices include "educational" or "instructional" broadcasting of various kinds; EVR units and refinements of cassettes. With the EVR unit the householder can buy a supply of Hollywood movies for use as he wishes.

45. And of course there are the "satellites". Broadcasts imported from these will have some impact, difficult at the moment to determine, upon Canada's broadcasting structure. What is even more important is this: Canada must marshal sufficient resources to produce outstanding programs of high quality that can compete in the international market through satellite distribution. The competition will be against some of the wealthiest nations of this planet.

46. It is this combination of factors, we submit, which require an examination of the Canadian broadcasting structure if (a) we are to maintain an east-west flow of information and (b) we are to hold our "place in the sun"; our ability to make a Canadian presence apparent throughout the world.

47. In this regard we have certain suggestions for your consideration. These include:

48. A very careful review of the existing restrictive regulations and removal of these so that broadcasters may effectively marshal their resources towards maintenance of that essential east-west link and the creation of material that can compete in the equally essential international market.

49. Canadian copyright legislation deliberately designed to encourage, and if need be to protect, the creation of currently useful Canadian material; its possibilities for both national and international "exposure". We submit with respect that it is high time for realism in this area. National pride must give way to the simple truth that in this respect Canada is one of the "underdeveloped" nations and our copyright legislation should be framed accordingly.

50. We might propose legislation which would be the equivalent of a tariff or anti dumping duties, except that these techniques might result, and probably would, in foreign retaliation - and this, when it is recognized that the international market is essential. However, consideration might be given to legislation compelling foreign publishers and recording companies to grant sub-publishing rights to Canadian owned companies when their product is used in this country.

51. Adoption in Canada of the frozen block percentage of sales system. This means: A fixed percentage of any and all revenues derived from the sale of foreign recordings in Canada, in whatever manner reproduced, would be "frozen" and retained here. These funds would be administered by an appropriate central agency and could be utilized only for the actual production in Canada of music, films and the like under stated conditions.

53. Either additionally or alternatively, consideration might be given to import duties or excise taxes on essentially foreign sources of supply.

54. Consideration of consolidation. While the Federal government is giving financial assistance to various kinds of Canadian production, this is diffused and scattered. The assistance is provided through buildings that become known as "arts centres"; the existence of the National Film Board; the Canadian Film Development Council; nearly \$200,000,000 a year to the Canadian Broadcasting Corporation; the Canada Council; and various other grants and subsidies. Some of these are concentrated on material of limited, rather than general, appeal. We suggest there would be much greater impact and value if this "shotgun" approach were abandoned and some part of the funds consolidated into one central effort.

55. This might be known as a Canadian Program Production Corporation. To it would be made available most of the funds referred to. Provision of funds from provincial sources might be considered; certainly private funds should, in our view, be welcomed.

56. Privately owned radio and television broadcasting stations would be required on an individual condition of licence basis to carry some part of that Corporation's output. Additional material could be purchased from it on mutually agreeable terms. The Corporation's output could also be sold to theatres and other outlets in Canada; to broadcasting stations, theatres and other outlets in every part of the world. A Program Production Corporation of this kind, properly administered, could quickly become self-sustaining. It is at least possible, and we think probable, it would soon be profitable and could plow the profits back into additional production; into additional inducements to Canadians possessed of creative and performing abilities.

57. Existing CBC hardware could be utilized for educational broadcasting; the operating and programming costs to be supplied by the individual provinces concerned.

58. It is our view that this is the most practical possible method of meeting the new challenges; of maintaining an east-west flow of communications; and of assuring Canada's place in the new international market.

59. That other solutions can be put forward we have no doubt. We feel that these too should be examined in detail in a forum such as this. We do submit that now is the time for new methods, new techniques, all discussed with as little heat and as much light as possible in an attempt to achieve the two objectives we think are of paramount and essential importance.

60. We hope we have made it quite clear that we support those objectives without reservation. We are prepared to support any practical means of achieving these.

61. As you know, it is our feeling that the regulatory amendments now being considered by the CRTC are not practical methods; will not achieve these essential twin objectives; and indeed will weaken the ability of the Canadian broadcasting structure to meet

61. We have put our views concerning those proposals forward in complete detail and do not propose to repeat them here unless you wish us to do so. In any event, the submissions we have filed with the CRTC are attached as appendices to this document.

62. With your permission, we should like to briefly extend our comments concerning the regulatory area.

63. Let us try and make it clear that we understand fully the purpose of regulatory bodies is to regulate. It is not to be expected that the regulated will necessarily agree with all an administrative tribunals's actions or that these will be popular.

64. Nonetheless, we think certain basic criteria at least desirable, if not at times required by equity.

65. We submit, with respect, that the CRTC is moving too far - too fast. In the Toronto Telegram of March 30, 1970, the Chairman of the CRTC is quoted as saying this:

"He agreed that the cost in time and money could push service owners out of broadcasting in Canada".

In some areas of industry it may be of no significant consequence that there are three producers instead of four. Elimination of a specific service perhaps not thought "one of the best" by the CRTC could easily deprive a city or town or region of local service.

66. We would also like to ask Parliament if it can give consideration in the future, when making appointments to regulatory bodies, to Canadians with practical experience in the field to be regulated; or at least with some practical experience in economics; competition; or with backgrounds that have brought the people into regular contact with broad strata of the Canadian community. We are speaking here not only of people with business experience, desirable as this is; we think also in terms of professional people.

67. We agree that regulators should regulate within the framework of the statute; and that in doing this they may well be sharply critical, and should be, of the performances of individual units within a framework, or the performance in specific cases. Is it reasonable, through, to assume that such criticisms, however harsh, should be directed at specific performances and specific units? Is it really the function of those who sit on administrative tribunals, much less their senior employees, to embark upon sweeping condemnation of an entire industry and its efforts, in public speeches outside the tribunal's normal

framework of operation? General criticism of this kind, without specifics and without recommendations, creates bewilderment, apprehension and a certain lack of initiative in any industry.

68. Our particular knowledge and experience tell us that technological changes demand new methods if broadcasting in Canada is to continue serving public policy objectives. We have put forward some suggestions as to the form those new methods might take, hoping and believing these will receive your earnest consideration and will probably stimulate thinking of still other possibilities. We would be prepared to discuss these in any forum at any time. We know that new structures are required. We hope these will provide clarity of policy, maximum possible freedom and manoeuvrability; that they will enable all of us to marshal our respective resources toward maintenance of the essential east-west communications link and the creation of material that can compete in the essential international market, bringing still greater strength of identity to Canada, and world-wide respect and confidence in the country that each of us in his own way wants to serve and wants to grow ever stronger.

The Canadian Association of
Broadcasters
l'Association canadienne des
radiodiffuseurs

85 Sparks Street,
Suite 909,
(Box 627, Stn. B).
Ottawa 4, Canada.

April, 1970.

APPENDIX 1

Source of Figures:-

1. At various places in this submission, these figures appear:

DBS reports for the period ending August 31, 1968 show that of the 319 radio broadcasting stations reported, 160 or slightly more than half, had an average net operating revenue of \$274.

In fact, 47 or nearly a third of that group, are reported as being in a loss position, which averaged just over \$10,000 per station. Another 90 stations (27%) had an average profit of under \$19,000. The next 44 (14%) had an average net profit of \$67,184.

2. For the same period, 15 television stations (22%) had an average loss of \$2,756. Another 15 had an average profit of \$14,021, so these 30 stations had an average profit of \$5,632. The next group - 13 stations (19%) had an average profit before taxes of \$115,770. The next group up - 9 stations - had an average net profit, before taxes, of \$81,350.

3. Their source is this: The CRTC will not accept the audited statements filed by broadcasting stations for tax purposes. Instead, it requires transfer of the information to a very complicated form designed especially for it, and for a standard period (the twelve months ending August 31). This too, must be audited. One copy is sent to the CRTC and one to DBS. The latter publishes summary totals, and it is from these that the figures are derived.

